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C O N F I D E N T I A L SECTION 01 OF 03 KATHMANDU 000529

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TAGS: [PREL](#) [PGOV](#) [PTER](#) [KDEM](#) [NP](#)

SUBJECT: NEPAL: NEW PRIME MINISTER HOPEFUL HE CAN MAKE
PROGRESS

REF: A. KATHMANDU 522

[1](#)B. KATHMANDU 455

Classified By: Ambassador Nancy J. Powell. Reasons 1.4 (b/d)

Summary

[1](#)1. (C) Newly elected Prime Minister M.K. Nepal told visiting Assistant Secretary Robert Blake June 12 that he hoped his government will take shape within "a few days." He admitted that he is facing problems with the Maoists in the Parliament and the street, but said he is trying to find a way to accommodate their concerns. PM Nepal stated that his first priority is to bring the peace process to a successful completion, particularly managing the Maoist combatants. The second is to draft the constitution. The third is to address the needs of the Nepali people. The Prime Minister expressed appreciation for past U.S. support and appealed for its continuation. Assistant Secretary Blake encouraged progress on government formation, the peace process and drafting of the constitution and affirmed that U.S. support to Nepal would continue.

New Government Soon

[1](#)2. (C) During their June 12 meeting, newly elected Prime Minister Madhav Kumar Nepal told visiting Assistant Secretary of State for South and Central Asian Affairs Robert Blake that he hoped to have a full cabinet within "a few days." The Prime Minister was joined by his Foreign Policy Advisor, Rajan Bhattarai, and by Foreign Secretary Gyan Chandra Acharya. PM Nepal conceded that he had hoped to announce additional portfolios and ministers that same day, but problems had arisen. He claimed, "by Sunday (June 14), the government will take shape." The Prime Minister explained that it was not possible to find a ministry for all of the 22 parties supporting the governing coalition. The challenge is to develop a formula so everyone will have some satisfaction. (Note: On June 17, the PM named five new ministers and six state ministers, bringing the total to 22. He also assigned portfolios to six ministers who were without them. Another cabinet expansion is needed. See Ref A.)

Accommodating the Maoists

3.(C) M.K. Nepal admitted that he is facing problems with the Maoists in the Parliament and in the street, but is trying to find a way to accommodate their concerns. But the Prime Minister is firm that his government cannot agree to some specific Maoist positions. First, the Maoists want the Parliament to condemn the President's reinstatement of Chief of Army Staff (COAS) Rookmangud Katawal as unconstitutional. This is not possible. His party -- the Communist Party of Nepal - United Marxist Leninist (UML) -- as well as other parties supported the President's step. Second, the Maoists want the new cabinet to uphold the removal of the Army chief, but that was a Maoist decision; no other party supported it. Nepal said he plans to let the Army's no. 2, Lt. Gen. Khadka (whom the Maoists appointed Acting COAS), leave the Army smoothly. Once Khadka retires, the Maoists will no longer be able to use him to capture the state. The Prime Minister indicated he would then consider taking some step short of removal of General Katawal, whom he appreciated for accepting the transformation of Nepal from a monarchy into a republic.

Completing the Peace Process

14. (C) According to the Prime Minister, his first priority is to bring the peace process to a successful completion. The main issue was managing the nearly 20,000 Maoist combatants. Some will go into the Army, some will go into other security forces. Others will be routed to private jobs inside and outside the country or back to their homes. The Government

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of Nepal has to find out what they want. PM Nepal said the work of the Special Committee for Supervision, Integration and Rehabilitation of Maoist Combatants, and its Technical Committee, should resume but did not indicate when or how. The PM stated that General Katawal told him recently that, if the Maoists were honestly committed to reaching an agreement on the combatants, the entire process could be finished within a month. Nepal noted that the presence of the UN Mission in Nepal (UNMIN) is still needed and that he hopes to see its term extended for another six months in July. The Prime Minister remarked that he was eager to get the 4,000 minors and other disqualified out of the camps. The UN Development Program and UNICEF have already developed programs for them. The solution will probably involve six months of technical training to help them transition back to civilian life, with some receiving scholarships.

Drafting the Constitution

15. (C) The second priority for his government, the Prime Minister said, is to draft and promulgate the constitution on time -- by May 2010. When asked by Assistant Secretary Blake whom the PM had in mind to head the main Constitutional Committee, M.K. Nepal said he is still in charge for now, but that there are several potential candidates. His first choice was Nilambar Acharya, a nominated Member of the Constituent Assembly (CA), who worked on the 1990 Constitution as the then Minister of Law. Both the Maoists and the Nepali Congress are expressing interest in the chairmanship. Baburam Bhattarai and Ram Chandra Poudel are the names usually mentioned. If those two parties fail to agree, UML President Jhalanath Khanal is another possibility. The Prime Minister conceded that the May deadline is coming soon, and that the CA has to work through major issues such as the government structure, federalism and the type of inclusive government. After the constitution is done, a general election will have to be held.

Addressing the Needs of the People; U.S. Support

6.(C) The Prime Minister's third priority is to address the needs of the people. Nepalis want law and order. The Prime

Minister said he plans to strengthen the security sector and prosecute those who violate the law. His coalition government will try to bring the armed groups in the Terai into the peace process, but there can be no compromise on national sovereignty or Nepal's territorial integrity. In the coming month, the Parliament will have its budget session and may discuss a one-year plan on how to move ahead more generally. PM Nepal expressed appreciation for U.S. assistance to Nepal over the past 60 years, much of which had targeted the basic concerns of the Nepali people. The PM pointed out that his country offers great possibilities -- in hydropower, tourism and agriculture as well as infrastructure and human resources. He wants to move aggressively to develop the sale of hydropower to India, but he is looking for investment from several countries, not just from India. His government also has ambitious plans for more East-West roads and a rail line as well as another international airport. Specifically, he requested trade preferences for Nepal's ready-made garment industry, whose exports to the U.S. have gone down sharply. He noted that the so-called TRADE Act currently before the U.S. Congress would grant those.

A/S Blake Urges Progress, Affirms Support

17. (C) Assistant Secretary Blake encouraged Prime Minister Nepal to form a complete cabinet as soon as he could. He stated that the United States wants to see Nepal become a stable, prosperous democracy. One of his messages to all of the parties is to work together for the peace process. The same is true for drafting the constitution. Blake expressed the hope that the GON continue to work with UNMIN. He

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indicated stability is very important if Nepal hopes to attract foreign investment. Noting that U.S. companies are competing to sell aircraft to Nepal Airlines Corporation, the Assistant Secretary requested an open and transparent process allowing companies to compete fairly. Prime Minister Nepal asked that Nepal not be overlooked, in spite of its small size and its position between two big countries -- India and China -- and Blake assured him that it would not be. U.S. support will continue to be strong.

Comment

18. (C) Prime Minister Nepal has set an ambitious agenda for his government. Four weeks after he took office, however, his coalition has yet to finalize the cabinet. Meanwhile, although the PM claimed that the Maoist challenge to his government can be managed, he recognizes it will not be easy.

Septels will report the Prime Minister's comments on the Office of the UN High Commissioner for Human Rights and refugee issues.

POWELL